

Tuesday, August 3, 1999

**TD BANK FINANCIAL GROUP TO PURCHASE
BAT'S INTEREST IN CT FINANCIAL SERVICES**

TD and Canada Trust join to become the leading retail franchise in Canada

TORONTO – TD Bank today announced that it has entered into a binding agreement with British American Tobacco Plc (BAT) pursuant to which TD will make a takeover bid to acquire 100% of the shares of CT Financial Services. BAT has today also entered into a binding agreement with Imasco Ltd., its 42% owned affiliate that, subject to Imasco shareholder approval and other matters, will result in BAT acquiring control of Imasco and the deposit of its 98.2% interest in CT to TD Bank's takeover bid for CT.

“I'm elated to announce this exciting strategic acquisition, a key move in fulfilling our vision of creating the leading personal financial services organization in Canada,” says A. Charles Baillie, Chairman and Chief Executive Officer of TD Bank Financial Group. “Together, we will be number one in both customer service and mutual fund advice, giving our customers access to the best financial services firm in Canada.”

“Canada Trust is a service powerhouse and we are strongly committed to ensuring that Canada Trust customers continue to enjoy the hours and quality of service that have been its hallmark. In fact, we will increase the hours of service we offer in TD branches across the country to better align them with CT's model of longer hours, ” adds Baillie.

Recognizing the value of both brands, we are naming the combined personal and small business retail franchise “TD Canada Trust,” a division of the TD Bank Financial Group. The corporate colour will be TD's distinctive green.

Together, TD and Canada Trust will be:

- #1 in customer service
- #1 in mutual fund advice
- #1 in number of customers at 10 million (in Canada)
- #1 in internet and telephone banking
- #1 in discount brokerage
- #1 in personal deposits market share
- #1 in personal loans market share
- #2 in residential mortgage market share
- #2 in mutual funds market share among the banks

Edmund Clark, President and Chief Executive Officer of CT Financial Services will become Vice Chair, TD Bank Financial Group and will be Chairman and CEO TD Canada Trust. Robert

P. Kelly, currently Vice Chair, Retail Banking, TD Bank Financial Group, will become Group Vice Chair, TD Bank Financial Group.

“I’m delighted that the spirit of Canada Trust will live on by keeping its name and extending its strong customer service approach throughout the TD retail banking network,” Edmund Clark said. “With our combined strengths in mutual fund advice, wealth management, and customer service, we will have a tremendous package to offer to all our customers.”

Canadian Consumers

Rural Canadians

There are no communities in Canada where TD and CT are the sole providers of deposit-taking financial services. In the three rural communities where the two organizations both have branches, there are at least three competitors in addition to TD and CT that offer similar services.

Small Business

This acquisition will enable TD to offer CT small and mid-sized business customers a full range of credit and other services where they have their personal accounts. As a relatively new entrant to small business financing, CT currently has relatively low volumes of small business lending.

Public Policy Considerations

“This acquisition differs significantly from the previously proposed bank mergers in several important respects,” said Baillie. “First, the perceived limits on the regulator’s options to maintain the safety and soundness of the banking system with only three major banks remaining, were cited as a concern at the time those mergers were turned down. There will continue to be five major banks following the completion of this transaction. Secondly, Canadians will continue to see a wide range and number of competitors, including five major banks as well as many other bank and non-bank competitors, continuing to compete vigorously for their business. The Competition Bureau will review the transaction to ensure that it does not result in a substantial lessening of competition. Finally, the concentration of business credit decision making will not be materially affected – in fact, CT customers will have greater access to small, medium and large corporate lending services.”

The transaction is subject to reviews by the Competition Bureau, the Office of the Superintendent of Financial Institutions (OSFI) as well as review and approval by the Minister of Finance. Subject to these approvals, and subject to Imasco and BAT shareholder approval, TD anticipates the transaction to close in early February, 2000.

TD has met with and briefed Finance Minister Paul Martin and Secretary of State for Financial Institutions, Jim Peterson, as well as the Office of the Superintendent of Financial Institutions

(OSFI) and Department of Finance officials.

The Deal

TD first entered into discussions with BAT in December, 1998, after the bank mergers were turned down.

“We presented a multi-faceted and comprehensive proposal to BAT that coincided with their strategic business goals. At the same time, it provided TD with the opportunity to acquire CT Financial, the most highly coveted asset available in Canadian financial services,” says Baillie.

TD will pay a cash purchase price of CDN\$67 per share -- for a total cash purchase price of CDN\$8 billion -- for 100% of the common shares of CT Financial Services. The total cost to TD of CDN\$8 billion is reduced by approximately CDN\$1.2 billion (CDN\$10 per share), which represents Canada Trust surplus Tier 1 capital. The balance of CDN\$6.8 billion will be funded from TD's own resources.

In order to achieve a 7% Tier 1 capital ratio, and a 10% total capital ratio shortly after closing the acquisition, TD will be raising CDN\$1 billion in common equity and CDN\$1.4 billion in other Tier 1 capital. TD Securities will lead the common and preferred equity financings required by TD to complete the transaction. The remainder of the cash required will be raised via wholesale funding.

The equity requirement is based on TD's materially stronger capital position resulting in part from two exceptional transactions in the third and fourth quarters, detailed below.

TD estimates that third quarter core earnings per share, on a cash basis, will be in the range of \$0.63 to \$0.67, compared to \$0.58 per share last quarter and \$0.48 per share in the third quarter of 1998. On an accrual basis, core earnings per share will be in the range of \$0.61 to \$0.65, compared to \$0.56 last quarter and \$0.46 a year ago. These results reflect the impact of a reduction in TD's estimated loan loss provision for the year from \$400 million to \$300 million, with half the reduction taken in the third quarter.

TD's core third quarter earnings will be augmented by an after-tax gain of CDN\$1,082 million or \$1.82 per share, which represent proceeds raised through an initial public offering of approximately 12% of TD Waterhouse Group, Inc.

Total cash earning per share for the third quarter are therefore estimated to be in the range of \$2.45 to \$2.49 (\$2.43 to \$2.47 on an accrual basis.)

The earnings for the quarter -- after deducting common dividends paid together with the non-controlling interest in TD Waterhouse of \$368 million recognized at the date of the IPO -- will increase TD's Tier 1 capital for regulatory purposes by approximately \$1.7 billion in the quarter.

TD also hedged certain unrealized investment security gains, resulting in an after-tax investment securities gain of at least \$400 million, which will be recognized in the fourth quarter.

Revenue Enhancements and Expense Savings

TD plans to achieve significant revenue enhancements and expense savings from the integration. TD expects that this will result in increased cash earnings per share and cash return on equity, in the first year after closing.

TD believes there are significant opportunities to leverage its capabilities in discount brokerage, wealth management, financial advisory services, and small business and commercial banking with CT customers, as well as to grow personal loans, mortgages and deposits, and to offer those customers a broader range of products. TD also believes there is an opportunity to leverage CT's capabilities in insurance with TD customers. TD estimates that these opportunities will generate additional annual revenues of CDN\$60 million within four years of closing, although none of this amount has been included in TD's earnings accretion estimates for the first year after closing.

In addition, TD expects to produce pre-tax expense savings equivalent to approximately 8% of TD and CT's combined 1998 expense base.

Expense savings will be related primarily to the consolidation of head offices and, to a lesser extent, to the integration of urban branches that are within close proximity to each other. The consolidation of corporate head office, electronic banking, trust, insurance, non-branch lending and wealth management areas will commence following closing with all savings expected to be achieved within two years. The consolidation of retail branches, transaction processing and systems technology areas will commence one year after closing with all of the cost savings expected to be achieved by the end of the three-year integration period.

TD expects to incur one-time pre-tax integration-related charges of CDN\$475 million, which will be accrued in the quarter in which the transaction closes.

Integration

Integration will abide by the principle of selecting the best from each company in products and services to create the preeminent financial services company in Canada.

Integration will occur with an absolute commitment to the customers of TD and Canada Trust that will see them enjoy the same or better service levels and range of products.

TD Canada Trust will minimize any inconvenience to customers during the integration. It is our responsibility to manage any changes that may result from systems or branch integration in a manner that is seamless for customers completing their financial transactions. We are committed to making the integration as straightforward and easy as possible for our customers.

As part of integration, TD will also increase the hours of service it offers in TD branches across the country to align more closely with Canada Trust's model of longer hours.

Integration will take place over the course of three years.

Employment

Employment impact is expected to be more significant in head office functions than in retail branches. In particular, there will be head office job loss where outright duplication exists, however, normal staff turnover is expected to reduce the impact. Head office functions will begin integration immediately after the transaction closes.

TD's analysis – without any allowance for normal staff turnover -- shows that a maximum of 4,900 full-time equivalent positions (FTEs) will be affected over the three-year integration period. Two-thirds of these positions would involve head office functions, with the remaining one-third in branches. Taking into account normal staff turnover, we expect actual losses of 2,900 FTEs, with 2,000 positions expected to be absorbed through normal staff turnover over the three-year period.

All employees of TD Canada Trust who are made redundant as a result of the integration will be guaranteed compensation for a period of 18 months following today's announcement. Any employee of TD Canada Trust who is released from employment as a result of the transaction within this 18-month period will receive the greater of the compensation guarantee for the balance of the 18-month period or their severance payment.

“We will be very keenly focussed on managing the integration to capitalize on our natural attrition rates to minimize employment impact, and I am confident that we can be successful in doing so,” notes Baillie.

Impact in London, Ontario

“We recognize that Canada Trust is an important employer in London, and we intend to continue to be a major employer in the city. We have worked with Canada Trust and the Members of Parliament from London to minimize job impacts there,” says Baillie. “We found the discussions with Members of Parliament to be constructive and very helpful.”

Branches

Branch integration will not begin until one year after closing and will take approximately two years. This will allow a comprehensive assessment of systems and extensive planning to ensure customers will not be inconvenienced during the integration process. We estimate approximately 275 branches will be affected by the integration.

Conclusion

“Together, TD and CT will build on the momentum we have achieved and the innovation we have demonstrated to become a North American powerhouse in retail financial services, in areas such as discount brokerage, retail banking, insurance and wealth management,” adds Baillie.

-- 30 --

For further information please contact:

Kym Robertson
Director, Media Relations
(416) 308-2363

Jessica Mossman
Media Relations
(416) 982-2469

This press release contains forward-looking statements, including statements regarding the business and anticipated financial performance of TD and CT following the acquisition. These statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause such differences are described in TD's Report on Form 6-K, being filed with the U.S. Securities and Exchange Commission on August 3, 1999 and TD's Material Change Report, being filed with the Ontario Securities Commission.

Registration statements relating to the common and preferred equity financings referred to in this release have not yet been filed with Canadian securities regulators or the Securities and Exchange Commission. The equity may not be sold nor may offers to buy be accepted prior to the time the registration statement, once filed, becomes effective. This press release does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the equity in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of that jurisdiction.